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THE FINANCIAL SITUATION.

There was really very little change in the character of the stock market last week, as compared with that of the week preceding. It was the same irregular, nervous, professional affair which required activity like that of chain lightning on the part of the average speculator who endeavored to extract profit from it, and which, therefore, did not scatter blessings very freely among the mass of market "followers." The general undertone of the market was, if anything, somewhat weaker than it previously had been. Prices rallied frequently in the fore part of the week, only to fall again on Thursday to the lowest point yet touched on the declining movement. Speculation for the fall was, of course, greatly in evidence, but no long visits to the offices of the leading banking and commission houses were necessary for the discovery that sentiment regarding the market was while by no means dependent, yet in a non-committal state. If there was no particular reason mentioned why stocks should be sold, there were none enthusiastically talked of why stocks should be bought. It was commonly said in these quarters that, while prices of securities had had a great fall, they were still not so low as to present definite bargains or to tempt investment buyers; yet there appeared to be no conviction that there was anything now in sight or expectation that anything would soon occur suggesting a further break in values. Both the market and market sentiment are, in other words, such as experience teaches us should be looked for under present circumstances. A very active bull market has fallen into calamity, largely because the fact fairly obtruded itself at last that the range of prices established had no adequate foundation. Prices have fallen with a rapidity which approximated that of a panic, for while there was no trouble of this kind in the sense that there were fears of bank or money difficulties, stocks were offered for a space of time without regard to price; which fulfilled the definition of a panic as Wall Street considers it. A great many bright hopes have been cast down, a good many people have lost money, and speculative Wall Street is in a more or less sore state financially and in a mixed, not to say disgruntled, frame of mind. It is plain that much more havoc was caused by the recent break than by the Lawson affair in the nature of a fluke, a running away from a cry of "Boo!" from a dark corner. Almost immediately thereafter Wall Street saw that it had been scolded over nothing at all. In the present instance it has been ascertained that the supposedly strong underpinning of a great speculative movement for the rise was merely a fabric of lies. Hence a thoroughly reared and nurtured speculative movement has crumbled, confidence has been shaken, pockets have been emptied and he who gives currency in Wall Street now to a railroad "deal" story is both laughed at and upbraided.

Such conditions usually make for a market whose main course is for a considerable period in doubt or, as a better way of putting it would be, a market which does not for a long time develop any pronounced tendency at all. It is weak and strong by turns and not very long either weak or strong, and the speculator who buys it when strong and sells it when weak ordinarily finds that he has done the wrong thing. In a way, perhaps, such a market does move toward a lower rather than a higher range, for the trading element, seeing the general pathos and perplexity, or it may be even the general discouragement, is apt to make frequent forays on the downward side of prices which produce a good deal of scattered liquidation; nevertheless, all this continues so fitfully and gradually that the drift is by no means plainly marked, and is only perceptible after the lapse of weeks, or even months. The complaint is generally heard at such times that the large interests are leaving the market to the bears, which has this measure of truth, that the great capitalists, seeing that it would be impossible to start an advancing movement in the market which would have any hope of permanence and having largely divested themselves of their floating line of stocks at higher prices, are quite content to buy back these stocks only upon a moderate scale as prices slowly and with innumerable bickering and flitting recede. So the market continues until in due course either prices reach a level where an absorption of stocks by the general investing public takes place or developments occur to change underlying conditions as these have long prevailed either in appearance or in reality. Money may accumulate in such quantity that those who possess it may be forced to once more enter the security market and buy bonds and stocks which will yield them a little more than do ordinary call or time money interest rates, and this movement will naturally serve to stimulate other and more speculative purchases. The crop outlook may assume great and positive promise, proof of the continued prosperity of business may gather in new forms, or any one of many circumstances may once more stir speculative imagination into line. It is human nature to like to buy stocks rather than to sell them, and there are so many prospects in our country now whose stocks present prospects and equities over and above the consideration of their present yield that there is always a latent willingness to speculate upon the materialization of these. Looking first at the bright side of the picture, we know pretty well that if matters hold as they now do, stock at least of the favorable developments of which so much was heard and so little seen during the uplift of the market of the fore part of the year will become fact instead of fancy. We know that, unless conditions materially change, some of our railroad companies will increase their rates of dividend distribution later in the year. It is as settled as well as anything can be that the Union Pacific will go on a 5 per cent basis in the fall, and that the Baltimore and Ohio will also at the same time in all probability begin making a 5 per cent annual distribution to its stockholders. A Southern Pacific distribution, too, cannot be greatly postponed further. The Pennsylvania people say now very plainly that if they had thought that the stock market would have taken so much to heart the failure to increase the dividend on Norfolk and Western, they would have raised the dividend as it was originally their intention to do; and this enlightenment may have its effect on the Baltimore and Ohio dividend question later on. Current railroad earnings are excellent, general business is booming along splendidly, money is working easier—as witness the increase in the money circulation in our country last month alone of nearly \$20,000,000 in new gold and new bank notes—and the fear that has been present so powerfully and so long in high quarters that a law might be passed giving to a Government commission some kind of power to fix railroad freight rates is beginning to pass away. An extra session of Congress will no doubt be called in the autumn to consider this

matter, but it seems probable that the campaign of education started in this regard by our railroad people has been effective, both upon the minds of our most influential representatives in Congress and of the public generally. The evils of the private car line systems, those that have attached themselves to the use of railway terminals and other objectionable features of the railway business will be checked, and everybody will rejoice thereat; but the recognition has apparently come that to invest any Government agency with power to direct a railroad in this country to carry freight at certain stated figures is a step for which business of the kind is not yet prepared. More gratifying in a speculative sense than any of these matters, no doubt, would be the promulgation of a "railway deal" of the long talked of variety, and some such event is not at all unlikely if our railroad magnates get to feeling a little more amicably toward each other during the summer.

Going to counterbalance all this is the circumstance, chiefly, that the possessors of idle funds throughout the country who are as alive as anybody to the probability or even to the imminence of occurrences such as have been described, do not seem anxious to buy securities at present prices. That "absorbing power" of the market which has been its distinctive characteristic for eight months has gone and attempts now to liquidate a "line" of stocks causes marked weakness in prices. We hear no longer of the "scarcity" of stocks in Wall Street, but find that owing to the recent liquidation stocks are in abundant supply—a fact that encourages and facilitates the operations of speculators for the decline. The bond market is not as good as it was because new bond issues have been deliberately made attractive, do not sell readily. The sentiment of the moment is plainly that prices for both bonds and stocks, tested by investment standards, are still too high. There is a good deal of dispute over what the proper latter-day standards of investment are, but without entering into the argument it suffices that people do not, whether rightly or wrongly, consider ruling prices to be those that invite investment purchases of securities. There are some evidences, no larger than a man's hand and which may soon pass away, that in the general business world production is catching up with consumption. These are plainest in the iron and steel trade, where it is now conceded that the pig iron market is weakening or at least that the iron market is, although the market for steel still shows no slackening. There is no longer any market at all for scrap or old iron, for which there was a furious call recently on account of the inability of the blast furnaces to supply enough of the new material, and it seems likely that if the present tendency continues we will soon have reports of a piling up of pig iron stocks. There are those who maintain that the market would not affect the trade, inasmuch as three or four months of top-notch business in steel and iron products is now practically assured; but actual overproduction would necessarily affect the trade sooner or later. So intimate is the connection now between the stock market and the general business world—a connection more intimate than formerly because of the concentration of corporate enterprises and of their more direct alliances with the financial centers of the country—that the recent fall in security prices has to some extent affected miscellaneous business activity. The stock market is now as never before regarded as a barometer of business. As it is weak or strong over a considerable time it casts a definite light or shadow on the business community. Finally, there appears to be no sign in sight of the miserable Equitable Life affair. Each day brings to light regarding the matter new reconfirmations, lawsuits and other tangles, and lays new emphasis upon the carelessness and dishonesty with which it would seem so many great trusts in our country are now administered; nor does it appear that the matter will be any other than an open sore until the improbable event happens of a withdrawal from the company of both the warring factions there and of the turning over of the affairs of the concern to an absolutely independent and hitherto disinterested management. People have come now to talk a great deal about the life insurance business in and of itself, and, quite apart from the weight of moral condemnation resting upon those affected by the Equitable Life scandal, the feeling of distrust regarding financial concerns that this has necessarily engendered, is noticeable a sentiment of disappointment, not to say dismay, over the result of investments in life insurance policies in general. It has become a common remark that life insurance is about the most expensive investment a man can make. The effect of this widespread dissatisfaction may be marked with reference to the stock market factor. There is no doubt that it has already led to sales of securities by various life insurance companies.

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High-Low-Close-Net-1905-1906

Sales. est. int. inc. Chgs. High-Low

4 Adams Exch. 104 103 104 104 104 104

2 Am. Exch. 104 103 104 104 104 104

1 Am. Exch. 104 103 104 104 104 104

20 Am. Exch. 104 103 104 104 104 104

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2500 Am. Locomotive 111 11 10 11 11

700 Am. Malt 55 5 4 5 5

4000 Am. Malt 24 2 1 2 2

150000 Am. Smelting 11 11 10 11 11

6000 Am. Smelting 12 12 11 12 12

900 Am. Steel 102 102 101 102 102

4000 Am. Steel 14 14 13 14 14

34000 Am. Sugar 13 13 12 13 13

300 Am. Sugar 13 13 12 13 13

800 Am. Tobacco 97 97 96 97 97

20000 Am. Woolen 32 32 31 32 32

800 Am. Woolen 102 102 101 102 102

600 Am. Woolen 114 114 113 114 114

200 Am. Mer's 1st pf. 90 90 89 90 90

6000 Am. Top & S. P. 85 85 84 85 85

5000 Am. Top & S. P. 101 101 100 101 101

21200 Atlantic Coast Line 148 148 147 148 148

100 Am. N. & W. 250 250 249 250 250

100 Baltimore & Ohio 94 94 93 94 94

12000 Brooklyn R. T. 62 62 61 62 62

3000 Brooklyn R. T. 185 185 184 185 185

4000 Brooklyn R. T. 14 14 13 14 14

1700 R. & S. 91 91 90 91 91

1300 Canadian Southern 70 70 69 70 70

5000 Canadian Pacific 150 150 149 150 150

1000 Can. Pac. 2nd pf. 140 140 139 140 140

27000 Chesapeake & Ohio 48 48 47 48 48

12000 Chesapeake & Ohio 32 32 31 32 32

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